

# Constraints to the Success of Women Small Scale Entrepreneurs in Kenya. A Case of Microfinance Institution Borrowers in Rongai District of Nakuru County, Kenya

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## Abstract

The study aimed at determining the constraints to the success of women small scale entrepreneurs in Kenya with specific reference to micro finance Institution borrowers in Rongai District, Nakuru County, Kenya. Purposive sampling was used to determine five markets. The survey achieved the targeted sample size of 90 interviewees. Stratified sampling followed by simple random sampling was used to select the sample. A regression model was used and the findings revealed that the success level of women small scale entrepreneurs was sensitive to all the factors investigated. However, some determinants were more influential than others. The most significant variable was the level of education followed by well as business training.

**Keywords:** Women Small Scale Entrepreneurs, Microfinance Institutions, constraints to the success level

## 1.0 INTRODUCTION

### 1.1 BACKROUND OF THE STUDY

The importance of Micro-Finance schemes has been observed to be profitable and viable over the Long term. Robinson Marguerite (2001), pointed out among other things that Microfinance matters because it increases the options and self- confidence of poor households by helping them to expand their enterprises and add others, to decrease risks, to smooth consumption, to obtain higher returns on investments to improve management and increase their productivity and incomes, to store their excess liquidity sagely and obtain returns on their savings, to escape or decrease exploitation by the locally powerful, and to conduct their business with dignity. Children are sent to school, and child labour decreases, housing and health also improve. In addition, the economically active poor who are able to expand their economic activities often create jobs for others among those who gain employment in this way are some of the extremely poor. However, he does not review, in his book on the Micro-Finance Revolution; the constraints faced which the poor and women face after loan acquisition.

The number of Bank projects providing enterprise development and financial services to women (EDFs/W) has grown markedly in Asia over the past decade. Bennett Lynn ad Goldberg Mike (1993), observes that in both South and East Asia, credit is the most popular financial service offered in EDFs/W projects of the 15 projects offering credit, 12 apply positive on lending rates are rarely specified. This indicates a lack of appreciation for the benefits that could accrue to both the clients and the implementing institutions by providing saving s facilities. This document on Enterprise development and financial services to women addresses some important issues regarding savings mobilization and no empirical research has been done to analyze the constraints at the success of women small scale enterprises.

Other studies on the critical role played by micro-finance schemes have been carried out in various parts of the world. Shtrii Shakii (1995), states that gender equality and economic development go hand in hand. Science the early 1980s, policy makers and planners have become acutely aware of the economic significance of women's productive activities and the natu45re of their contribution to income generation. It has been firmly established that women are vital and productive to the national economy but their access to knowledge; skills, resources, opportunities and power still remain rather low.

The major industrial strategies employed in Nepal are both import substitution and export promotion. In these circumstances, one major way to achieve at the goal of industrial development could be through establishment of small-scale enterprises. For this to happen, it is recognized that entrepreneurship development can be the key to raising the prospects for increasing the share of small-scale cottage industries in the national income (Aryal, 1992).

Although women constitute a little over one half of Nepal's population, they rank lower than men in almost every social indicator in the country. Within the increasing tides of poverty in Nepal, women are the poorest of the poor, relatively more deprived and segmented even from among the poor (World Bank, 1991).

Forty-five percent of women aged 10 and above are listed as economically active, while the corresponding figure for men is 68% (census, 1991). The growth rate in the female labor force exceeded that of the males between 1981 – 1991, but they are still confined to a few activities indication their disadvantaged position in

reaping the benefits of diversification on many areas of employment.

Women are rarely beneficiaries of conventional financial services. In Africa for instance, Women supply more than 60% of agricultural labour and contribute up to 80% of total food production, yet receive less than 10% of the credit provided to small farmers. Webster, (1995) noted that women are very active participants in most urban and rural informal sectors. In Sierra Leone, they account for roughly 50% of informal sector employment; in Burkina Faso over 66% and in Cape Verde: the comparable figure is estimated at 80% in Niger, roughly women own

52% of the MSE in urban areas compared to 48% of their male counterparts". It is against this background of industrial development and women's role and participation in the national economy that one must critically view the emerging needs of scope for women entrepreneurial development. The number of women who come under the category of entrepreneurs in a formal sense is still negligible. The representation is somewhat better in enterprises. However, this does not necessarily mean that these women intend to enter the economy as entrepreneurs. They may simply remain self-employed and limit the scale of their enterprise to meet requirements of household consumption. The proceeding studies indicate then need to critically examine the constraints inhibiting growth of women owned enterprises and thus the gap which this study intends to address.

There is an increasing awareness in the international community on the important role and potential of the micro and small enterprises (MSEs) in fostering Socio-economic development in both urban and rural setting. MSEs are dynamic entities. Some grow into large enterprises; some stabilize without changing the scale operations, while others disappear. The success of these enterprises can be measured by their ability to survive and prosper (Bhalla 1992).

In developing countries, the MSEs sector employs 30-80% of the economically active population. The sector often absorbs excess labour during periods of restructuring and responds quickly to excess labour during periods of economic expansion (World Bank, 1995). However, not all is well with this sector, most of MSEs; hardly grow beyond the initial stages and  $\frac{3}{4}$  of all new businesses die within the first five years (World Bank, 1998).

Despite the significant role played by the SME sector, it has continued to experienced many binding constraints that have inhibited the realization of the its full potential. These include poor access to markets and financial services, and unfavorable policy, legal and regulatory environment amongst others. In the past, the government has put in place measures geared towards the promotion and development of MSE sector. One of the notable interventions is the publication of sessional paper No.2 of 1992(GoK, 1992) on „Small enterprise and Jua Kali development in Kenya". The paper emphasized the need to create an enabling environment through an appropriate legal and regulatory framework; and put in place supports and facilitative measures to promote the growth of the sector. However these measures have not yielded the expected impact largely due to their inappropriate design and weak implementation.

For the Micro-Finance Institutions to fulfill its development objectives, it is imperative that the increasing number of MSEs, that hardly grow beyond the initial stages and new businesses, which die within the first five years, be addressed urgently

This study will focus on the constraints inhibiting the growth of women-owned micro and small enterprises in Rongai District of Nakuru County who are beneficiaries of various microfinance programs. The study will look at the reasons why the MSEs are not growing even with accessibility to loans.

## **1.2 Statement of the Research Problem**

Micro Finance schemes are often presented as the key to the development aspirations of women. The main reason given by the MFI policy makers focusing on women is the need to empower women through social and economic development programs, a commanding focus of donor programs since 1980's. For instance, MFIs have to demonstrate that they are reaching larger numbers of the poor and that women make up at least 50% of their client base. In Bangladesh, 94% of those who meet Grameen bank criteria for loans are women (Panos, 1997).

In Kenya, women play a central role in the MSE sector, constituting 4% of entrepreneurs and 40% of employment in the sector. Women dominate in the commercial sector. Women-owned enterprises show a different dynamism than their male counterparts, tending to be small and using little startup capital. Women's enterprises face a different set of constraints than other entrepreneurs. (Parker 1993, McCormick 1992).

According to sessional paper No. 2 (GoK, 2005), on „Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction", lack of access to credit is a major constraint inhibiting the the growth of the MSE sector, and for women entrepreneurs. The issues and problems limiting MSE acquisition of financial services can be grouped into two broad categories ;lack of tangible security coupled with inappropriate legal and Regulatory framework that does not recognize innovative strategies for lending to MSE's; and the limited access to formal finance due to poor and insufficient capacity to deliver financial

services to MSEs.

Studies show that lack of credit is not always the main constraint for micro enterprise growth and development, and that poor people demand a wide range of financial, business development, and that poor people demand a wide range of financial, business development and social services for different business and household purpose (Hedge, 1998).

Kilemi (1997), in a study on Kenya Rural Enterprises Program (KREP), loanees observed that 55 of female-clients interviewed reported that their business has not grown at all or have a negative growth rates as a result of acquiring a loan.

This study seeks to critically examine the constraints women entrepreneurs face after acquiring a loan, which inhibit the growth of their enterprises, this study is significant in that it looks at the constraints after loan because accessibility to credit has been seen as the single most important constraint faced by female entrepreneurs yet their business are not growing even after MFI loans.

### **1.3 Purpose of the study**

The purpose of the study is to critically examine the constraints inhibiting success of women owned enterprises after acquiring MFI loans.

#### **1.4.1 Objectives of the study**

The main objective of the study, was to examine the factors that affect, the success women in the field of entrepreneurship.

#### **1.4.2 Specific Objectives**

The specific objectives to the study were:-

- i. To identify the relationship between business success and the level of education of women entrepreneurs in Rongai District, Nakuru County, Kenya.
- ii. To identify the relationship between business success and the level of training Of women entrepreneurs in Rongai District, Nakuru County, Kenya.
- iii. To determine women access to economic opportunities and formal inputs which promote entrepreneurship in Rongai District, Nakuru County, Kenya.
- iv. To determine how social roles affect the success levels of women entrepreneurs in Rongai District, Nakuru County, Kenya.

### **1.5 Research Question**

The study aims to answer the following questions:

- i. How does education level affect the success level of the women entrepreneurs in Rongai District, Nakuru County, Kenya?
- ii. How business training has have affected the success level of women entrepreneurs in Rongai District, Nakuru County, Kenya?
- iii. In what ways does availability of loans affect the success level of women entrepreneurs Rongai District, Nakuru County, Kenya?
- iv. How do the levels of disposal incomes affect the success level of women entrepreneurs in Rongai District, Nakuru County, Kenya?
- v. In what ways do domestic roles affect the level of success of women entrepreneurs in Rongai District, Nakuru County, Kenya?

### **1.6 Significance of the study**

This study is deemed significant at the theoretical, empirical and policy levels because it would provide indications to MFIs, female borrowers and Government Agencies for gauging the success of female owned enterprises. The end result would be useful in developing credit methodologies and gender focused policies towards the growth of women owned MSE's.

### **1.7 Scope of study**

The study will be limited to female small-scale entrepreneurs in Rongai District who are the beneficiaries of various MFI loans. The District has five big markets that would make it possible to locate the respondents drawn from the trade, manufacturing and service factor. Five MFIs operating in the area will be used and then entrepreneurs who will form the study sample will be chosen from each MFI in the assistance of credit officers of MFIs.

## **2.0 LITERATURE REVIEW**

### **2.1 Theoretical Frame Work**

#### **2.1.0 Role of MSE's Sector**

Nearly three quarter of the most developing countries in the world depend on microenterprises for employment and the general improvement of the living standards of the citizens. In these countries, outside agriculture, micro enterprises form the bulk of their income earnings. Households that depend on agriculture, also have part time or seasonal micro enterprise activities to supplement earning from agriculture (Digest, 1999),

notes that the growth capacity of the MSE sector has to potential to contribute great strides towards the achievement of Kenya's goals for industrialization, rapid employment generations, and poverty eradication.

The results of the 1993 National baseline survey by Parkers C.J and Torners RT, estimates that over three-fourths (78%) of enterprises and employment are located in rural areas, on the order of 710,000 enterprises employing 1.5 million people. The remaining 22% of enterprises are urban, with 8% of enterprises located in Nairobi or Mombasa, 10% in other large urban areas and the remaining 4% in small urban areas. While rural businesses are more likely to be seasonal business, the vast majority (81%) of enterprises nationwide operate year round. The importance of the micro and small enterprise sector is particularly apparent in terms of its ability to provide employment for those of working age. Suing an estimate of 13 million Kenyans of working age

in 1993, Micro and Small enterprises provide employment for 16% of the labour force. Again the bulk of this employment is in rural areas.

Dondo A (1999), noted in an occasional paper on the status of Micro-Finance in Kenya that in the past six years there has been a proliferation of Non-Governmental Organization (NGO) programmes to promote micro finance development. The organizations range from small charitable units operating in a limited geographical area to large institutions, covering vast tracts of the country and carrying out a variety of development. The organizations range from small charitable units operating in a limited geographical area to large institutions, covering vast tracts of the country and carrying out a variety of development and welfare activities. Increasingly, organizations have emerged whose sole objective is providing financial services to micro and small enterprises; for example, the K-REP, Kenya women Finance Trust (KWFT) and Faulu Kenya. Three Welfare organizations have recently spun off their microfinance activities e.g. CARE, NCKK, and plan International. The paper indicate that MSE sector is a very important organ of development in Kenya but it is still evident that there is a gap in literature for reference by policy makers on the constraints the entrepreneurs face after acquiring MFI loans.

The sessional paper No.2(Government of Kenya,2005), noted that the Government needs to recognize the importance of MSE sector in terms of creating decent employment, income generation, promotion of creativity and innovation, generation of output; hence the need to integrate the MSE" broader formal economy.

#### **2.1.1 MSEs Lack of access to formal credit**

Lack of access to formal credit by entrepreneurs is a major concern to entrepreneurs. A research conducted by Sethna. A (1992). On an examination of some characteristics and constraints of micro entrepreneurship concluded that for trading activities, initial capital was the least as little as Kshs.200/= and came from personal savings manufacturing and service activities generally called for larger amounts of startup capital. Naturally, tools and equipment added considerable for the demand for higher capital.

Less than 2 percent of poor people have access to financial services from sources other than money lenders, while fewer than 10 million of the 500 million people currently running \micro and small enterprises have access to loans or savings facilities. Banks have tended to assume that the needy will not keep up repayments or those costs of serving transitions on small loans must make grassroots lending unprofitable. Commercial banks however have begun to show growing interest in investing in MSEs. Yet some banks, through caution of through lack of familiarity with this market growth area, appear to be holding back from responding to current market demand (panos, 1997).

Working capital is the most common constraint identified by entrepreneurs of existing micro enterprises. To access working capital, micro entrepreneurs often borrow from informal financial sources such as family or friends, supplier or local moneylenders. Usually moneylenders charge relatively high interest rates and may not offer loans products or terms suited to the borrower (Ledger wood, 2000).

The 1993 Base line survey of MSEs points out those enterprises are most likely to close in their first three years. Only 53% of enterprises "failed", while (30.1% as the most important constraint facing their enterprises, followed by lack of access to inputs (24.7%) identified capital as a constraint. This is mainly capital to expand the business.

Karanja (1999) studied factors that influence the effectiveness of the manufacture and marketing of furniture products in Nairobi and his conclusions were that major constraints facing entrepreneurs were financial shortcomings 30%, limited markets 20%, inappropriate premises

16%, in adequate machines 15%, competition from large business 11%, lack of managerial skills 5% and cost of accessing materials 3%. In this study, credit ranks as the second major constraints.

The limited access of SMEs to credit and financial services if often presented as one of the most important supply side constraints confronting the MSE sector and research findings indicate that financial problems are one of the main reasons why relatively few SMEs in Kenya graduate into larger enterprises (ILO, 1995) to the extent that this is true, the implication is that with credit SMEs should graduate into small business. Other studies also indicate the government recognize that access to credit and financial services is key to the growth



and development of any enterprise and more so the MSE's, Sessional Paper No.2,(GoK,2005).This study therefore hopes to analyze the growth of constraints to female run MSEs.

### **2.1.2 Lack of access to credit by women entrepreneurs**

Women's participation in economic activities has also moved beyond Agriculture into the local market economy. They are moving into small business and opportunities for work. However, research has shown that women lack access to credit by MFIs for some reasons discussed below. Panos, (1997) observed that women are considered in many societies as unfit to assume the responsibilities of credit, despite the fact that they generally take the responsibility for the survival of their families.

Berger, (1989) notes that limited formal education on the part of women entrepreneurs and some cultural values limit their ability to take advantage of formal education often find it difficult to complete loan forms which are completed even for the well schooled.

A research by Kimuyu, (2000) shows gender differences in the demand for credit. Male entrepreneurs borrow more than twice the amounts borrowed by their female counterparts due to their greater access to properties with collateral value. He concludes that credit markets discriminate against women-owned enterprises.

A measure of loan recovery has posed great concerns to organizations giving loans. A research report by Dondo A.C (1992), on the performance of K-REP funded minimalist credit schemes notes that arrears and defaulters could be caused by business performing poorly and not being able to service their loans. As at the K-REP juhudi clients seminar it was reported that some clients business had failed because they were forced to seek full time employment elsewhere. The evidence, however suggests that such business failures have been few and are not a major problem.

The literature reviewed indicates the role played by MSE sectors as a very important tool for development. These documents have addressed some important issues regarding lack of access to credit by women entrepreneurs. However, no empirical research has been done to analyze the constraints women entrepreneurs face after acquiring MFI loans. It is therefore evident that there

is a gap in literature for reference by policy makers and this study therefore, intends to analyze the constraints to success of female owned MSEs

Hulme David and Mosley Paul (1996), in their book of Finance against Poverty, observes that in all case-study countries, significant female-male gaps occur, indicating the unequal economic and social relations between women and men. Giving women access to credit. It has been argued, is means by which both their economic standing within the households and social position within society can be improved. This argument has been particularly significant in Bangladesh where women's improvement in credit programmes. The first relates to the financial viability of institutions. As revealed in case studies and work of others, in many contexts, female borrowers have proved more reliable than male borrowers:

Consequently, some lenders have found that their financial performance can be improved by focusing on female borrowers. The second force stems from aid donors who „discovered“ women in the early 1980's and have consequently encouraged recipient agencies to provide women with more assistance. For credit, this has meant pressures to increase the proportion of female borrowers, to at least 50% and sometimes to focus exclusively on women.

According to 1993 National Baseline Survey, men owned enterprises are more likely to have used formal financial assistance (7%) than their female counterparts (1%), while the reverse holds for informal credit, used by 6% of women and 4% of men. Likewise, formal non-financial assistance is nearly non-financial assistance is nearly non-existent for women entrepreneurs; however, they use more informal counterparts.

Empirical studies show that women are more vulnerable to chronic poverty because of gender inequalities in the distribution of income, access to productive inputs such as credit, access to and control of property and earned income, multiple roles of women, inadequate access to education and training, as well as gender biases in labour markets (sessional paper No.2, government of Kenya, 2005)

## **3.0 RESEARCH METHODOLOGY**

### **3.1 RESEARCH DESIGN**

The study used descriptive research design. Female entrepreneurs who were beneficiaries of various MFI's represented in Rongai District had been chosen because most MFI's operate in this area. The District has 5 (five) large markets that made it possible to locate the respondents. These were Rongai,Salgaa, Kampi ya moto, Banita and majani \_mingi markets.

### **3.2 Target Population**

The population was 3,950 female owned MSE's in Rongai District of Nakuru county who are beneficiaries of MFI credit programmes. The sampling frames were obtained from MFI's that keep records of their clients. Nine MFI's namely Catholic Diocese, ROSEWA(Rongai Social and Economic Women Organization), Kenya Women Finance Trust, Kenya Rural, Enterprise programme (K-REP), National Council of Churches in Kenya, Jamii Bora, Faulu Kenya and Anglican Church of Kenya (ACK).

### 3.3 Sampling Procedure.

A sample of female entrepreneurs were interviewed to establish the constraints that hinder the growth of enterprises as well as successful businessmen in the same geographical region.

The population under study was stratified into female owned MSE's. Each stratum was surveyed independently and simple random sampling method was used to select a representative sample. A proportionate stratified sampling Techniques was used to select a sample size of 90 female entrepreneurs. Simple random sampling was thereafter used to determine respondents in every stratum.

The respondents were drawn from the trade, Manufacturing and Service sector. This technique was chosen because it gave a representative sample of the sectors indentified. The respondents were selected with the assistance of credit officers of MFIs.

### 3.4 Data collection Instruments and procedure.

Both the primary and secondary data were used in the study. A questionnaire was administered to women entrepreneurs in Rongai District of Nakuru County. It contained both open ended and close ended questions. The closed-ended questions were used to obtain quantitative data for statistical analysis while open-ended questions were used to obtain qualitative data and suggestions from the respondents. Questions covered entrepreneurs and business characteristics that formed the subject of this study. To the literate respondents a "drop and Pick" method was used and the researcher orally administered questionnaires to the illiterate respondents. The researchers ticked the questionnaires as the respondents gave reponses.

### 3.5 Data analysis

Data collected were processed and analyzed statistically. Descriptive statistics was used and a simple regression model was developed to test the strength of association between each independent variable and the dependent variable. SPSS software was used to run the data. Regression analysis of the data collected was carried out to determine how the variables indentified influence the degree of success of women entrepreneurs. The model used was as follow:

$$Y = a + b_i X_i + e_i$$

Where Y is the success level of the business-Dependent Variable a=Y intercept (the value of Y when X is equal to Zero)  $b_i$ =The co-efficient of the independent variable

$X_i$ =The values of the independent variable- $i=1-5$

$e_i$ =Error term

Success level (SL)=Y of women small scale entrepreneurs is a function of level of Education (LE)= $X_1$ , Business Training (BT)= $X_2$ , availability of loans (AL)= $X_3$ , level of income (Y)= $X_4$  and Domestic roles (DR)= $X_5$

## 4.0 DATA ANALYSIS AND INTERPRETATION

### 4.1 Response levels

The survey achieved the targeted 90 interviews. The survey was carried out in five villages of Rongai; Rongai centre, Kampi Moto, Majani Mingi, Banita and Salgaa of Kajiado district. In addition, 16 interviews were conducted with female entrepreneurs and 2 male entrepreneurs in each village. The male entrepreneurs were particularly interviewees so that they could be compared to the female responses.

### 4.2 Training

The interviewer was trained thoroughly on instruments administration, interview techniques, procedures and skills, importance of the survey and research process. The researcher worked in turn with the research assistant to make sure that he was collecting accurate and useful information.

### 4.3 Findings

#### 4.3.1 Characteristics of the study population

Table 1 below summarizes the findings of the socio-demographic characteristics of the study followed by a brief discussion of these findings.

**Table 1: Socio-demographic characteristics of respondents**

Characteristic	Proportion (%)	Characteristics	Proportion (%)
<b>Education Level</b>		<b>Age group</b>	
Primary	25.9	20-30	51.1
Youth Polytechnic	5.9	31-50	14.8
Secondary	48.9	51 -60	8.9
College	19.3	Above 60	3.0
<b>Marital Status</b>			
Married	83.0		
Single	17.0		

Source: Survey Data 2014

#### 4.3.1.1 Age distribution

People age below 40 years were the largest proportion of those interviewed and comprised 73.3 percent while people aged above 60 years comprised 3.0 percent of the sample as shown in table 1 above.

#### 4.3.1.2 Level of Education

All the respondents in the surveyed population had formal education compared. A large proportion of the respondents (48.8 percent) had completed secondary education while 25.9 percent had completed primary education. It is further observed that college level education was reported by 19.3 percent of the respondents as shown in the above table.

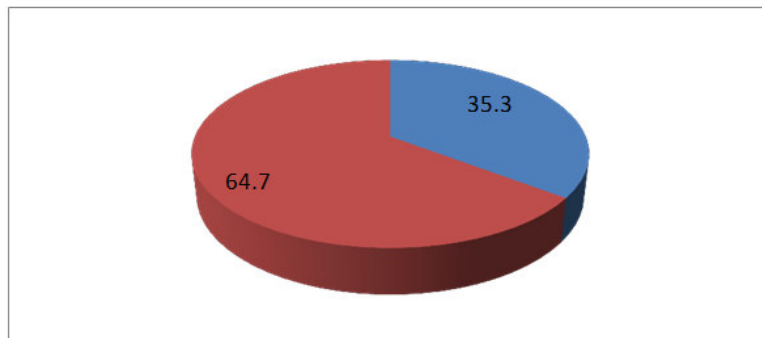
#### 4.3.1.3 Average children per household

The survey revealed that the mean household children are 4.58 persons with a mean error of 0.23 and a standard deviation of 2.081. The maximum household children size was 10 with a minimum of one giving a range of 9 children. It is important to note that the mean household children size almost tallies with census findings a mean of about 4.56 children per household in the urban.

#### 4.3.2 Formal training

When asked if they had any formal training in the type of business they were carrying out, 35.3 percent indicated that they had trained compared to 64.7 percent who had not trained as shown in the figure below. Further analysis by gender revealed that, among the females, 65.2 percent had no formal training of their business compared to 40 percent of males who were trained.

**Do you have any formal training related to your business?**



Source: Survey Data 2014

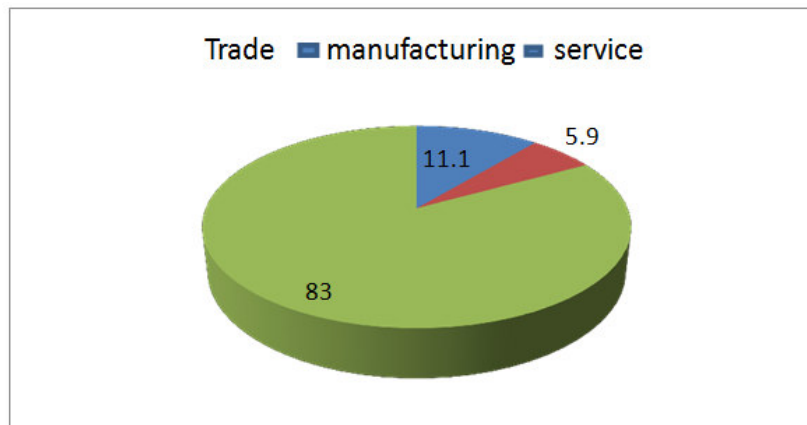
#### 4.3.3 Duration in business

The table below summarizes the duration the respondent had been in business. It sufficed that the respondents covered had been in business ranging from one year to 17 years ago. About a fifth had just started their business in 2004 while 23.8 percent between 6-10 years. About 15 percent had traded for between 14-17 years while a majority, 32 percent, had traded for between 1-5 years.

#### 4.3.4 Type of business

Over four fifth of the respondents covered were involved in trade. About a tenth of the respondents were manufacturers while about 6 percent were in service business as shown in the figure below. Further analysis by gender revealed that among the females, 83.8 percent were in trade business, 10 percent were manufacturers while 6.3 percent in service business. Among the males, 80 percent were in trade business while 20 percent were manufacturers.

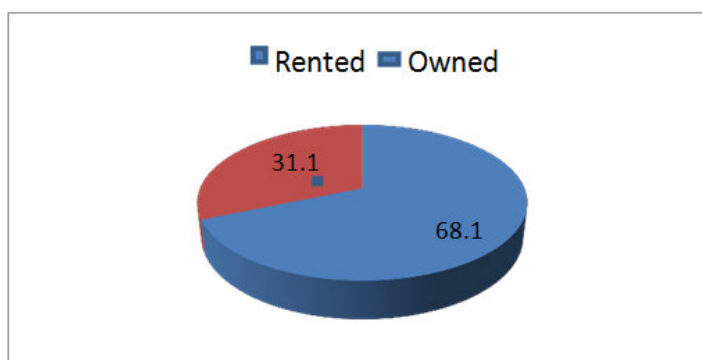
### What type of business are you involved in?



**Reasons:** among the reasons cited for the type of business were; (48.8 percent), no competition (12.6 percent), no competition (12.6 percent), unemployment (8.7 percent), demand for products (8.7 percent), required little capital (8.7 percent), area of specialization (6.3 percent), sufficient time (3.1 percent) and location of the business (3.1 percent). Further analysis revealed that among the female the females, 50 percent said it is easily manageable, 15 percent said it is has no competition while identical 6.8 percent cited unemployment, area of specialization, demand for products and little capital. Among the males, 40 percent said because it is easily manageable while identical 20 percent cited unemployment, demand for products and little capital to start.

#### 4.3.5 Ownership of premises

Slightly over two thirds of the respondents were in rented premises as compared to a third who owned the premises. Further analysis by gender revealed that among the females, 66.3 percent were in rented premises compared to 20 percent of the males who owned their premises.

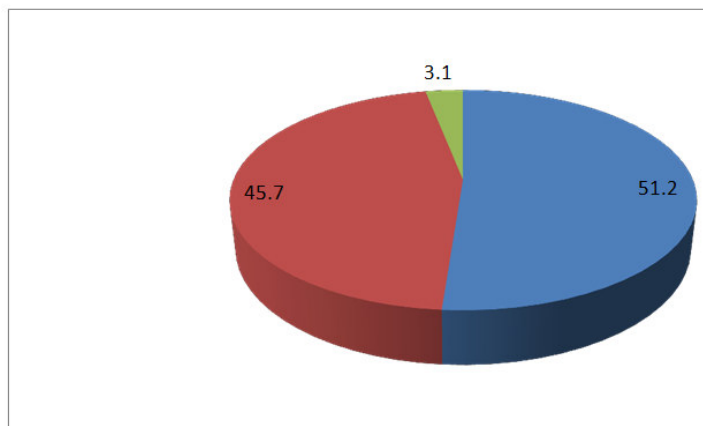


#### 4.3.6 Ownership of business

About a half of the respondents were in sole proprietorship businesses followed by about 46 percent who said it was family owned while 3-1 percent were in partnership. This is further illustrated in the figure below. Further analysis revealed that more among the males, 60 percent were running sole proprietorship while 40 percent in family owned business. Among the females, 49.3 percent were in sole proprietorship, 46.7 percent were in family owned business while 4 percent were in partnership.

Further analysis by type of business revealed that among those in trade, 58.6 percent were sole proprietors compared to 41.6 percent who run family business. Among those in manufacturing, 70 percent were partners while 30 percent were sole proprietors.

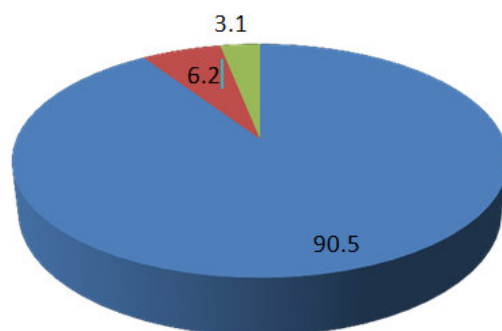




#### 4.3.7 Management of Business

Only a third of the respondents are not in full management of their businesses as compared to 70 percent as illustrated in the figure below. It further sufficed that about a third of the respondents have employed so none to run businesses as compared to two thirds who have not.

#### Self Manager Relative



#### 4.3.8 Running of business

As shown in the figure below, the respondents indicated that they are involved in the day to day running of their business as compared to 6 percent who have employed manager while 3.1 percent have delegated the duties to a relative. Further analysis by gender revealed that among the males, 80 percent females who were fully involved in the running of their businesses.

#### 4.3.9 Monthly Salary

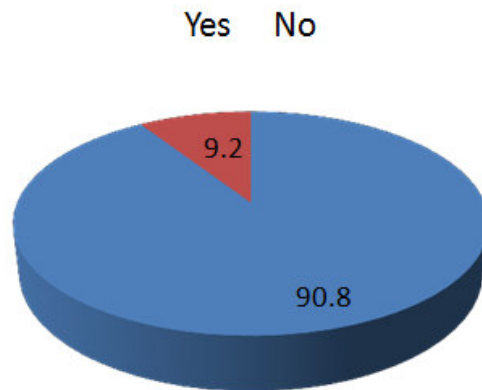
It further sufficed that among those who have employed someone to run their businesses pay an average monthly salary of about Kshs. 2000 with a mean error of 139.00 and a standard deviation of about 800. The least paid employee earns Kshs.1000 while the most paid earns Kshs. 4000 as shown in the table below.

	N	Range	Minimum	Maximum	Mean		std
	Statistics	Statistics	Statistics	Statistics	Statistics	Statistics	Statistics
Monthly salary for the worker valid N (list wise)	33 33	3000	1000	4000	2100.00	1389.00	794.454

#### 4.3.10 Increase in number of workers:

Only a tenth indicated that they do not keep their business records as compared to 90.8 percent who keep them as shown in the figure below. Further analysis by gender revealed that all the males keep business records compared to 89.6 percent of the females.

### Do you keep business records?



#### 4.3.11 Business capital

The table below summarizes findings on the initial capital required to start business, the current value of stock and the monthly net income. It sufficed that a minimum of Kshs. 100 and a maximum of Kshs. 50,000 is sufficient to start business. The average capital is about Kshs.

16,000. The average value of current stock is Kshs. 50,000 with a maximum of Ksh. 200,000 and a maximum of Kshs. 1000. The average net monthly income is Kshs. 15,000 with a maximum of Kshs. 70,000 and a minimum of Kshs. 600.

	N	Range	Minimum	Maximum	Mean	Std. Error	std
	Statistic s	Statistic s	Statistics	Statistics	Statistic s	Std. Error	Statistics
Capital for starting business	87	49900	100	50000	15748.47	1512.32	14132.940
	87	199000	1000	200000	48287.02	4604.17	43027.053
current value of stock	77	69400	600	70000	14673.91	2122.72	18586.453
monthly net income valid N (listwise)	77						

#### 4.3.12 Use of Profits

When asked how they use their profits, about 52 percent re-invest in business, 41 percent use for family subsistence while 7 percent save.

#### 4.3.13 Sources of capital

Several sources capital were cited for starting business with 60 percent of the respondents citing own savings, 12 percent cited family/relatives, 11 percent cited cooperatives 6 percent cited NGO/MFI while 3 percent cited banks.

Further analysis revealed that among those in trade business, 82.7 percent had borrowed a loan compared to 17.3 percent who had not while all those in manufacturing business had borrowed a loan.

Among those who had borrowed a loan, 63 percent said it was adequate as compared to 37.1 percent who said it was inadequate. Further analysis by gender revealed that three quarters of the males received adequate loans as compared to 61.4 females.

#### 4.3.14 Prospects for another loan

When asked if they can take another loan, a third of the respondents will not as compared to 70.6 percent who are willing to take another loan. Among the reasons cited for taking another loan were; enlargement of business and inadequate savings, among those who cannot take another loan cited high interest rates, the previous loan not meeting their intended needs and that they achieved all they wanted. Further analysis by gender revealed that 80 percent of the males would take a loan if it is increased compared to 69.6 percent of the females.

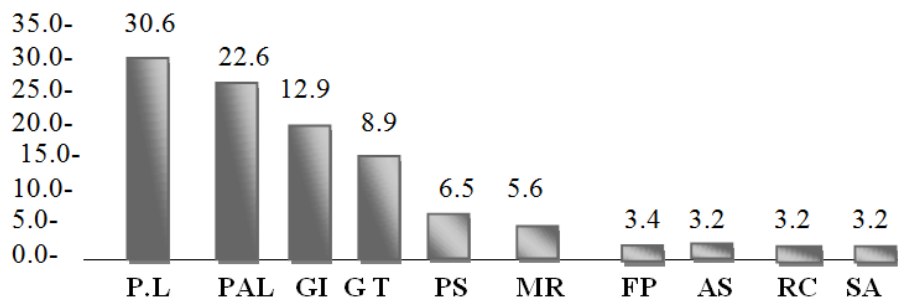
#### 4.2.15 Expansion of business

About 87 percent of the respondents claimed that their business had expanded as a result of the loan since their production/profits had increased as compared to 12 percent who said they had not because of family expenses and high interest rates. Further analysis by gender revealed that all males' businesses expanded after receiving a loan compared to 85.3 percent for the females.

#### 4.3.16 Respondents' Recommendations

Provision of loans at a very low interest (30.6 percent) and alternative organizations to offer loans are the main reasons cited to heal the constraints cited above. The others are presented in the figure below.

*For the problems identified above, what solutions would you recommend?*



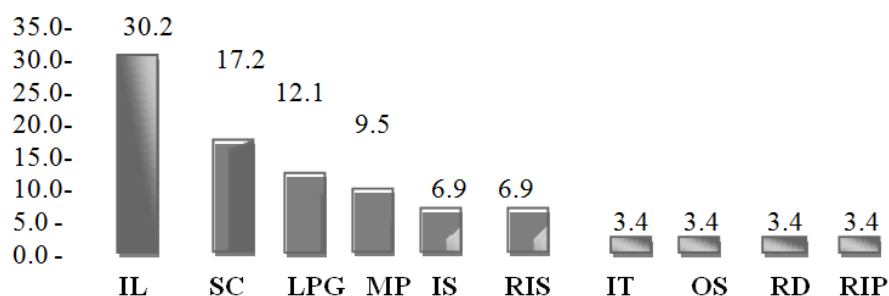
**Key**

P.L-Provide loans at low interest, PAL-Provide alternative loan GI –Government to provide interest free loans, G T - Government to train people, PS -Provide security , MR -Manage risk , FP -Fluctuating Profits, AS -Advisory Services ,RC -Restrict Credit, SA -Savings

**4.3.17 Issues requiring urgent attention**

The figure below summarizes the issues cited as requiring urgent attention:

*What else do you think needs urgent attention as regards the growth of your business?*



**Key**

IL –Increased Loans, SC –Sensitize Community, LPG –Lower Prices of Goods, MP-Marketing of Products, IS –Improve Security, RIS-Improve Transport, IT-Improve Transport, OS-Own Savings, RD-Reduced Domestic Issues, RIP- Re-Invest profits

**4.4 Regressions**

The following linear equations were developed in order to test the relationship between the dependent and independent variable.

Model One:  $Y = 0.205 + 1.56X_1$

Where Y is the success level of business considering the level of education. There is a positive relationship between the success level and the education level. When education increase by one unit success level increase by 1.26 units. When the entrepreneur has no formal education the business success level is 0.205.

Model Two:  $Y = 0.555 + 1.44X_2$

Where Y the dependent variable is the business success level and from the independent variable is the level of training. There is a positive relationship between business success level and the level of education. When training increase by one unit the success level increase increases by 1.44.

Model three:  $Y = 0.221.X_3 + 0.876$

Where Y the dependent variable is the success level the business and  $X_3$  is the independent variable if the respondent had borrowed a loan. Therefore when loan income increase by one unit the business success level increase by 0.221 units and when the entrepreneurs loans are not available the business success level is equal to 0.876.

Model four:  $Y = 0.231X_4 + 1.233$

Where Y is success level while  $X_4$  is independent variable- level of disposable Income. This shows that when income increase by one unit the success level will increase by 0.231 units and when there is no increase in income the business success level is equal to 1.233.

Model Five:  $Y = 0.567 - 0.524X_5$

Where Y the dependent variable is the business success level and the independent variable  $X_5$  represent domestic roles. There is a negative relationship between the business success level and domestic roles. If domestic roles increase by 1 unit the business success level will decline by

0.567 units.

## 5.0 CONCLUSION, POLICY RECOMMENDATIONS AND LIMITATIONS

The objectives of this study were to identify the socio-cultural, educational, and legal barriers to success of women small-scale entrepreneurs as well as to determine women's access to economic opportunities and formal inputs. In order to achieve these objectives, the factors influencing success level of women small scale entrepreneurs were first listed from literature and investigated with a view of determining the extent of their effects in inhibiting success of women owned enterprises after acquiring MFI loans.

The findings of the study revealed that the success level of women small scale entrepreneurs is sensitive to all the factors investigated. However, some determinants are more influential than others. The following paragraph summarizes these findings.

The most significant variable was the level of education. All respondents in the surveyed category had formal education. However college level education was reported by only 19.3% of the respondents and a large proportion of the respondents (48.8%) had completed primary education. This indicates that women entrepreneurs without formal education find it difficult to enter business let alone acquire MFI loans. The study further found out that only a tenth indicated that

they do not keep the business records as compared to 90.8% who keep them. The small percentage who do not keep records was because the respondents were semiliterate and do not know the importance of keeping records. Further analysis by gender revealed that the males interviewed keep business records compared with 86% of the females. This is an indicator that more males who enter into business are more literate than female entrepreneurs and there is therefore need to encourage the girl child to continue with education for future business success.

Availability of loans equally was crucial factor constraining success of women small scale entrepreneurs. Among those who had borrowed a loan, 63% said it was inadequate and further analysis by gender showed that three quarters of the males received adequate loans compared to 61.4% of females. Provision of MFI loans to women entrepreneurs will go a long way in ensuring success of business. The findings also revealed that 70% of all respondents were willing to take another loan in order to enlarge business and due to inadequate savings and therefore the need for such loans. Based on the findings, MFI loans as sources of startup capital contributed to only 3% of the entrepreneurs interviewed compared to 60% contributed by own savings indicating the need for more loans.

### 5.1 Recommendations

There is a strong need to increase loans and at low interest rates. The main source of capital to women entrepreneurs cited was own savings, family and friends (72%),

And only 9% cited MFI, NGO and banks. Usually informal financial sources charge relatively high interest rates and may not offer loan products or terms suited to the borrower.

The need to provide alternative loans to women entrepreneurs was clearly evident as most MFI charged them high interest rates making loan repayment difficult. The government should ensure that such MFIs are observed closely to avoid exploitation by providing alternative interest free loans to female entrepreneurs.

Any business activity thrives well in an atmosphere of peace and where necessary is guaranteed. Government should therefore put in place measures that ensure that there is stability especially in areas where ethnic clashes occur to avoid uncertainties in the business environment in general.

### 5.2 Limitations

While reading the findings of this study, some limitations have to be taken into account. Firstly, time and other resources were not adequate and hence a comprehensive research could not be arrived at. Secondly, it was not possible to gather all the required data because it was not within the researcher's reach. Consequently, vital material information is likely to have been omitted or missed thereby affecting the findings of the study.

Secondly, high percentage of women entrepreneurs contacted knew little about the constraints affecting the success of their businesses, as they had started their business recently and their responses may not wholly represent the position of the major factors hindering the success of women entrepreneurs.

In spite of the limitations, the response rate was sufficient enough to make valid conclusions. Therefore the data collected is believed by the researcher as representative of the real situation on constraints to the success of the women small-scale entrepreneurs in Kenya.

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